

**STATE OF MICHIGAN
CHIEF FINANCIAL OFFICERS' COUNCIL
Summary of July 19, 2007 Meeting**

The third meeting of the Chief Financial Officers' (CFO) Council for calendar year 2007 was held at 10:00 a.m., Thursday, July 19, 2007, in the Michigan Room, Romney Building.

CFO Council members in attendance:

David Bruce – Agriculture
Daniel Bojalad – Civil Rights
Carol Vargovich – Civil Service
Janet Laverty – History, Arts & Libraries
Palmer Giron – Information Technology
Allan Pohl – Labor & Economic Growth
Margie Reh – Lottery

Michael Gilliland – Management & Budget
Minesh Mody – Economic Development Corp
Joel Wortley – Military & Veterans Affairs
Joe Pavona – State
Shawn Sible – State Police
Mark Haas – Treasury

Other attendees:

Joe Bengel – Attorney General
Melinda Hamilton – Auditor General
Raj Mehta – Civil Rights
Jim Brandell – Community Health
Mike Draschil – Corrections
Craig Thurman – Education
Kim Stephen – Environmental Quality
Russ Hecko – Human Services
Lorie Blundy – Legislative Ret. System
David Quigley – DMB, Financial Services

Sharon Schafer – Natural Resources
Ruth Mealy – OFM
Laura Mester – OFM
Mike Moody – OFM
Doug Ringler – OFM
Gena Hyde – State
Jim Horsch – State Bar of Michigan
Ann Dennis – Transportation
Suzie Nichols – Treasury

Mike Moody, Director of the Office of Financial Management (OFM) and Chair of the Council, welcomed Palmer Giron who is the new CFO for DIT. There were no additions to the agenda.

Consolidation Update

Mike updated the group on the accounting and internal audit consolidation. The kick-off meeting was held on June 21 with the chief deputies or the deputy director responsible for the agency accounting office. If anyone is interested in a copy of the PowerPoint presentation from that meeting, you may contact Mike. As of this date, we have met with eight agencies and have another 13 meetings scheduled. We are gathering information from the agencies and also providing information on how we plan to implement the Executive Orders. We are answering questions as they arise as best we can. Each agency has designated a point person. The overall time frame

for identifying staff to be transferred to the Office of the State Budget is September 1. These transfers would be effective October 7.

Six work groups were created to come up with various recommendations:

Accounting Work Group is to define what accounting functions are in scope and recommend an accounting organization structure within SBO. The Co-chairs are Ruth Mealy of SBO and Barry Wickman of Corrections.

Funding Model Work Group is to decide on a recommended funding model. The Co-chairs are Laura Mester of SBO and Patricia Lack of DMB.

Internal Audit Work Group's Co-chairs are Doug Ringler of SBO and Allen Williams of DLEG. This group will make recommendations on what internal audit functions are within scope and on internal audit organization structure within SBO.

Policies and Procedures Work Group will determine which policies and procedures may need to be changed. The Co-chairs are Ruth Mealy of SBO and Myron Frierson of MDOT.

Reporting Needs Work Group will be responsible for coordinating new reports that will be needed as a result of the consolidation. The Co-chairs are Laura Mester of SBO and Amy Henderson of DNR.

Service Level Agreements Work Group has Doug Ringler of SBO and Pratin Trivedi of DHS as the Co-chairs. This group is tasked with defining the elements needed in service level agreements.

The Accounting, Internal Audit, and Funding Model work groups will hold at least one meeting where all departments will be invited to discuss relevant issues. Any issues regarding any of these work groups should be addressed to the appropriate Co-chair. The next status update will announce all members of each work group.

BRIEFINGS AND REPORTS TO CFOs

OFM Accounting and Financial Reporting Division Update

Laura Mester, AFR Director, stated their main focus now is on the consolidation efforts. OFM managers and liaisons will be following up with agencies pertaining to the consolidation work groups. The component unit letter was sent last week and agencies need to evaluate whether any additional component units should be incorporated into our CAFR. New commissions have to be evaluated. A "go/no go"

decision should be made in October regarding the Multiple EFT project. The business requirements are being finalized and an evaluation has to be made on the encryption piece and how we keep this data secure, which could have an impact on the project.

OFM Payroll and Tax Reporting Division Update

Ruth Mealy, PTR Director, reported that the HRMN technology upgrade was completed. The reporting services tool needed to be upgraded. The environment patches regarding eBroadcast reports will go to PROD this weekend. The Time and Expense project is on hold pending assignment of a project manager from DIT. Work has started on fiscal year end issues. The accounting consolidation work group meetings begin next week. We will need to look at what functions are being consolidated in order to decide what positions will be moved, as well as defining what the short-term structure will look like. We will also be discussing longer-term potential operations.

OFM Support Services Division Update

Doug Ringler, SSD Director, discussed the Internal Control Evaluation reports. Forty-two material citations were found. One of the areas the internal audit workgroup will be working on is the function the Internal Auditors perform in internal control evaluations and how they interact with the Internal Control Officers. The summer months are a good time to register staff in training classes. Contact Doug if you have staff in outlying areas who may need training. It may be an option for our trainers to conduct off-site training where applicable. Doug requested agencies to inform him if they plan to implement using the state vendor file and our website to register vendors and the signing up for EFT. If we know in advance, we can review the letter and personalize the web site.

CFO Member Roundtable Discussion

Mike Gilliland updated the group on the Accounts Payable Audit regarding overpayments and duplicate payments. DMB and DLEG were part of the pilot phase, which is now complete. The State recovered \$17,000 in this effort. Once a decision whether to move forward has been made, the agencies will be notified.

Mike Gilliland stated the Cost Comparison Reports for the month ending June will be distributed this week. There are reductions shown in all areas.

Mike Gilliland added that the Procurement Card transactions for the months of June and July have not yet been interfaced with MAIN but they are in the vendor system.

Dave Quigley stated that DMB issued a \$4.7 million credit for state vehicles. We were able to charge agencies less for state provided vehicles due to lower insurance

costs, strong resale proceeds, and lower lease costs from extended vehicle life and improved lease rates. Self-insurance rates for all motorized vehicles (VTS managed and department owned) were reduced \$2.5 million.

The meeting adjourned at 10:25 a.m.

Next meeting: Thursday, October 18, 2007 – 10:00 a.m.
The Michigan Room, 1st Floor, Romney Building

Summary prepared by:

Adel Beachnau, Council Secretary